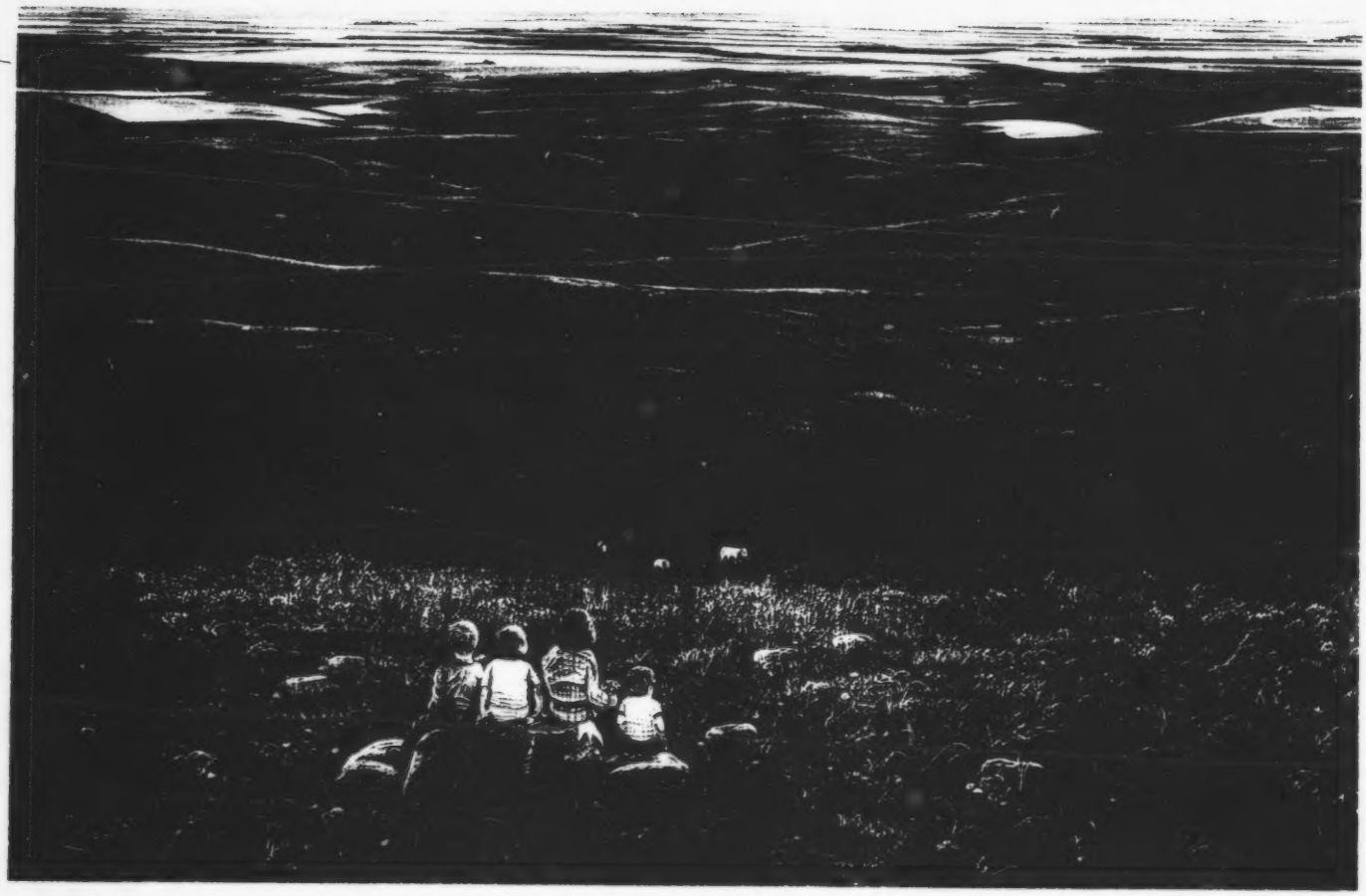

In 1988, SGI sponsored an art competition for the 1989 agents' calendar. About 250 Saskatchewan artists submitted 1,000 works of art. Among the 13 works chosen was "Mile After Mile" by Moose Jaw artist Yvette Paulhus Moore.

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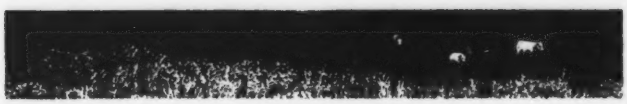


LETTER OF TRANSMITTAL

Regina, Saskatchewan
March, 1989

To Her Honour,
The Honourable Sylvia Fedoruk,
Lieutenant-Governor of the Province of Saskatchewan

Madam:

I have the honour to submit herewith the annual report of Saskatchewan Government Insurance for the year ended December 31, 1988, including the financial statements in the form required by the Treasury Board and in accordance with the Saskatchewan Government Insurance Act.

I have the honour to be, Madam,

Your obedient Servant,

Graham Taylor
Minister-in-Charge
of Saskatchewan Government Insurance

CHAIRMAN'S LETTER

1988 was, without qualification, SGI's best year ever. I am proud to present our 1988 annual report.

Indeed, our $19.8 million profit in 1988 clearly demonstrates the strength of our organization. It's truly the expertise, dedication and professional work of our people that earns us our success. Our size, performance and strength rank us as a major—top 10 per cent—competitor in the general insurance business in Canada. Because we have been limited to doing business in only one province, our financial success is especially impressive.

The provincial government's announcement to invite public participation in SGI opens the doors of opportunity for us in an expanded marketplace. We've taken full strides this year to position ourselves for this transition and expansion.

Our traditional strengths—excellent customer service, top-quality, innovative products, professional agents—are the foundation upon which SGI, or Saskatchewan General Insurance as we will soon be called, will continue to build. Much of the credit for SGI's success this year goes to our employees, and the fine service they provide. Service is the benchmark of our success: it's our real product.

1988 is the threshold to an exciting era for SGI, and I know that the past year speaks well of the promising future ahead.

Allan W. Wagar
Chairman of the Board

BOARD OF DIRECTORS

Mr. Allan W. Wagar
Chairman
Regina

Honourable Graham Taylor
Minister-in-Charge
Vice-Chairman

Mr. Arden E.B. Erman
Maple Creek

Mr. Eli Fluter
Regina

Mrs. Bonnie L. George
Wadena

Mr. James N. Goring
Biggar

Mr. Ted Henson
Saskatoon

Mr. Ron W. Jeffery
Weyburn

Mr. Donald R. Leier
Saskatoon

Mr. D.A.K. Maclean, Q.C.
Regina

Mr. George F. Shaw
Esterhazy

Mr. Ed Sulewski
Paddockwood

PRESIDENT'S LETTER

SGI has always known that service means success. We have stressed high customer satisfaction as the key to profitability. It defines our competitive edge. The results of our efforts in 1988 exemplify the triumph of this business strategy.

Our profit of $19.8 million in 1988 is a tribute to everyone who works for SGI. Clearly, successful plans begun several years ago, such as market research, cost control measures, extensive employee training and an improved support system for agents, have all contributed to our success in 1988.

1988 also saw SGI make a $4.2 million underwriting profit, a notable achievement. Our underwriting strategy has been a critical element. Selective risk analysis, firm pricing and a commitment to financial stability is the foundation of SGI's business plan. This, combined with our reputation for unequalled claims service, is what is truly responsible for our strength and financial success.

This demonstration of our strengths and industry-leading performance comes at a most appropriate time. In July, 1988 the government announced its plan for expansion of SGI, by creating an opportunity for Saskatchewan people to invest in the company. Public participation in SGI simultaneously allows SGI to expand and grow, to become a national insurer, and also gives Saskatchewan residents an opportunity to buy a share in our well-established, home-grown Saskatchewan company.

It's a dynamic time for SGI and we can all be proud of our success in the past year. I am enthusiastic and confident about the promise of continued success for SGI.

Alex Wilde

Alex Wilde
President

SENIOR EXECUTIVES

"SGI's systems are among the most innovative and progressive in the industry. Our technologies give us an extra edge."

–Alan Cockman, Vice-President, Systems

"Excellent claims service is the benchmark of our success. I think it's going to continue being our catalyst when we expand."

–Larry Fogg, Vice-President, Claims

"Traffic safety and accident prevention are important factors in controlling costs for any insurance company."

–Grant Gibson, Vice-President, Motor Vehicle Division

ASSISTANT VICE-PRESIDENTS

"Gearing up for an expansion made 1988 a fascinating year for me. Becoming a national company is the most important event in this company's history."
-L. Jill Hilsden, Vice-President, Finance

"Our employees definitely give us an added edge over our competitors. To begin with, we hire good people. More importantly, we keep them because of our staff support and training."
-Doug Kopp, Vice-President, Human Resources and Corporate Relations

"Our property/casualty operations are somewhat unusual: we're making a profit. I think that says it all. It's a tremendous testimony to everyone who works here."
-Bob Warren, Vice-President, Underwriting Operations

Jack Davidson
Marketing and Agency Relations

Merv Eisler
Claims

Andy Forgie
Systems

Jack Galt
Claims

George Germaine
Claims

Randy Heise
Finance

Dave Hick
Motor Vehicle Division

Paul Landry
Motor Vehicle Division

Ken Lerner
Litigation and Legal Affairs

Gerry Marsden
Reinsurance

Jim Martyn
Corporate Relations

Chet Niemczyk
Salvage Operations

Arun Patel
Claims

Jim Roberts
Personal Lines

Bob Strang
Commercial Lines

Fred Urschel
Operations Support Services

SGI'S OPERATING PHILOSOPHY

Customer Comments:

"I found that people were nice and explained everything to me. I wouldn't change a thing."

--Regina

SGI is a leader in the insurance industry, not only in Saskatchewan, but soon across the country.

What makes this possible? Professional, energetic employees and a vast network of agents who carry on SGI's long-standing tradition of providing excellent service in response to our customers' needs.

SGI's commitment is to provide protection and security through superior property/casualty insurance products for homes, businesses, automobiles and farms.

SGI is a major contributor to Saskatchewan's economic growth and stability. We shall continue to build this financially stable organization through innovation, progressive management and sound business principles.

Warren Luzny and Connie Brezinski discuss the financial performance of one of SGI's products.

FINANCIAL SUMMARY

Simply put, 1988 was the best year ever for SGI. With a profit of $19.8 million, 1988 marked the third straight year of profits. SGI recorded an underwriting profit of $4.2 million in 1988, a remarkable achievement, considering the competitive marketplace.

SGI boasted a remarkably low overall loss ratio. The ratio, which compares claims costs to premiums earned, is an important measure of financial success in the insurance industry. The lower the number, the higher the profitability. The industry considers 70 per cent to be a benchmark of profitability. In 1988, SGI recorded an overall loss ratio of 57 per cent.

Cost control measures continue to have a significant effect on SGI's financial stability. In 1988, SGI held total administrative expenses to approximately 1987 levels.

Under pressure of intense competition, SGI did reduce some premiums during 1988. It still maintains a solid book of business in an increasingly competitive marketplace. Premiums earned in 1988 were $120.7 million, up slightly from 1987.

SGI's strategy is to underwrite and price with an eye to long-term financial strength. Its customers rely on the security of that strength, and SGI will not compromise that trust.

Claims incurred rose to $69.2 million from $66.3 million, an increase of only four per cent, while the number of claims increased eight per cent.

Excellent Reinsurance Management

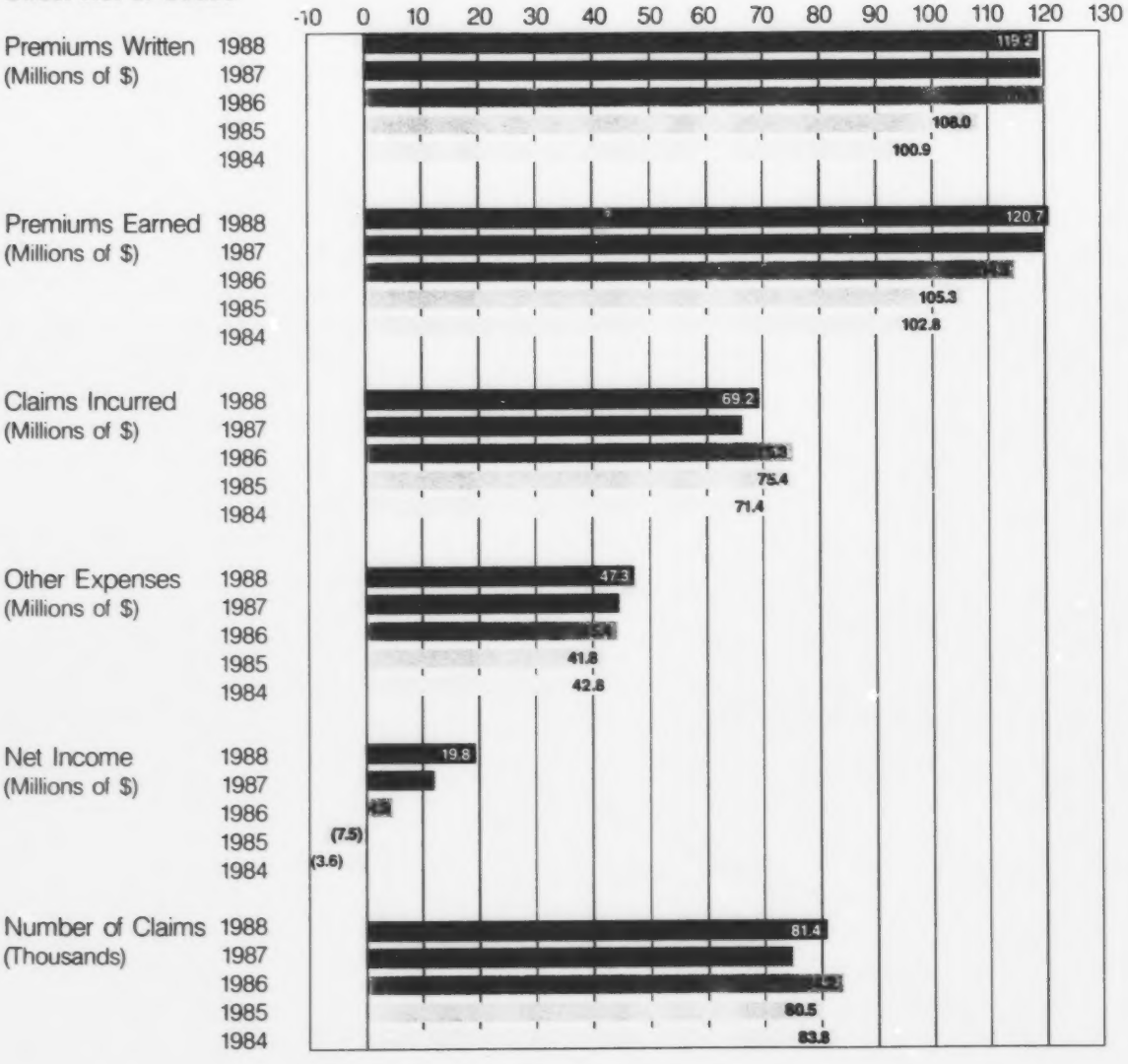
SGI no longer writes assumed reinsurance policies; that is, it is not taking on part of risks written elsewhere by other insurance companies. Claims from previous assumed reinsurance contracts continue to be administered by SGI. SGI's assumed reinsurance claims reserves are adequate to cover all payments arising from these remaining contracts.

Assumed business did not affect the 1988 results, due to the strength of our claims reserves.

In 1988, SGI negotiated reduced rates and improved coverage on its ceded reinsurance treaties. These are portions of SGI risks that it arranges to be insured by other insurance companies.

FINANCIAL HIGHLIGHTS 1984 - 1988

Direct Net of Ceded



For comparative purposes, certain prior year balances have been restated and reclassified to conform with the 1988 financial statement presentation.

1988 IN REVIEW

Profits at SGI have been growing steadily since 1986 and the corporation has primed itself for its long-awaited expansion, so necessary for its long-term growth and strength.

Careful review of SGI's underwriting practices contributed to the good results. For example, SGI designed new policies and adjusted coverage on others to meet the needs of its customers. Its claims-based rating system means that premiums are based on individual claims experience, a fair and equitable system that sees reduced rates for claims-free customers. SGI is encouraging clients to raise their deductible levels and insure against serious losses or disasters rather than purchasing insurance to cover minor losses.

Total claims and expenses edged up to $116.5 million in 1988, from $111.8 million in 1987.

In 1988, SGI unveiled its Business Owners' Value Pak in response to many requests for a better commercial package policy. In keeping with SGI's tradition of innovation, this package provides retail stores and offices with superb liability protection for buildings and contents in the event of fire or catastrophe. Moreover, this package also protects retail owners against crime and loss of income. Agents were enthusiastic about the new product, and a similar one is now being developed for contractors.

The results of SGI's attention to customers' needs is reflected in its market share. SGI corrals the majority of market share in all of its major product lines even with the slight decline, this year, in policy numbers.

While some insurance companies drastically cut policy prices to unrealistic levels in 1988, SGI didn't. SGI made a strategic long-range decision not to sacrifice profitability for market share.

Customer Comments:

"I was extremely pleased with the way I was treated at SGI. The adjuster was very professional and made me feel at ease through a time that was very unsettling. Thanks again!"

--Saskatoon

Policy counts were down in Personal and Commercial lines, largely due to the economic downturn. Also, many policies were consolidated, especially in Personal Auto and Agro. Home insurance policies suffered somewhat from increased competition. SGI did, however, insure more vehicles in 1988. Although the number of auto policies declined it is because SGI now allows more than one vehicle to be included under one policy.

SGI's effort to satisfy its customers is paying off. Over 85 per cent of claimants sampled stated that they are very satisfied with SGI's claims service, from the professional agents always there to help meet customers' needs, to SGI's claims

The President's Round Table is a forum for agents to exchange important market and product information with SGI management.

Estevan Insurance Service recently became the newest member of SGI's extensive network of independent insurance agents. Attending the grand opening are (left to right): Bob Dekok–Agent, Ruth Semple–Agent, Ken McGregor–Zone Manager Agency Relations and Cliff Tornberg–Manager, Agency Relations.

D.A.V.S. University of Saskatchewan

SGI's $250,000 commitment to the University of Saskatchewan College of Agriculture's building campaign will benefit students like Wayne Kish and Mary Cross.

adjusters who carefully explain policy coverages and ensure customers receive their cheques quickly.

SGI continues to give something back to the communities it serves. In 1988, we gave grants and donations to many non-profit organizations. For instance, SGI continued to fund its 1987 commitment of $250,000 to the University of Saskatchewan College of Agriculture's building campaign. This important contribution illustrates SGI's tradition of generosity and commitment to the people and future of Saskatchewan. Though SGI is expanding, Saskatchewan will always be SGI's bedrock and foundation.

SGI's Best Product is Customer Service

Although SGI is operating in an extremely competitive industry, it thrives on competition. Generally speaking, most insurance products on the market today are good. However, what really distinguishes SGI from its competitors is superior customer service.

Best Agents and Support Anywhere

SGI's product distribution system is one of the most effective in the Canadian insurance industry. With 408 independent agents conveniently located throughout the province, SGI can quickly and professionally provide any resident with farm, commercial, personal, home or auto insurance.

"The Business Owners' Value Pak is the best there is for any small business. I know because I've been a devoted SGI customer since 1972."
–James Hartness, Top Forty Records

Dennis Tirkaylo, Systems Division, shows Roxane Meachem of Systems how a new computer software program can help her at her job.

Our highly-rated series of product, technical and motivational seminars offered to agents every year help them maintain educational requirements set out by their profession, and aid them in learning about agency management, technical developments and new coverages.

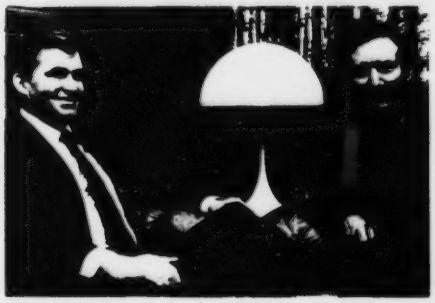
SGI supports its agents in other ways, too. The President's Round Table is a valuable forum for SGI management and key agents to discuss their concerns and work out solutions together.

"I'm really happy with the service SGI has given me over the past three years. The agent took a lot of time and effort to provide me with a policy which suits my needs."
–Doris L. Weinrauch

Unbeatable Claims Service

SGI's customer service surveys consistently reveal that its claim service gives us a decided edge over our competitors. For instance, SGI's commitment to prompt, professional service was illustrated in its response to the College Mathieu fire claim in Gravelbourg. Only seven days after a fire ravaged Saskatchewan's only French secondary school, built in 1918, SGI presented an initial claims cheque of $500,000 to quickly begin the rebuilding.

SGI is also keen on strengthening what counts most—its employees. Whether it's a one-day motivational seminar such as the one conducted by best-selling author Tom Peters last January or supplementing staff training with courses such as Managing Customer Service, SGI does what it takes to help its employees. More than 400 employees received a bronze pin for completing customer service training, and nearly 60 of them were given either a silver or gold pin in recognition of their excellent service.

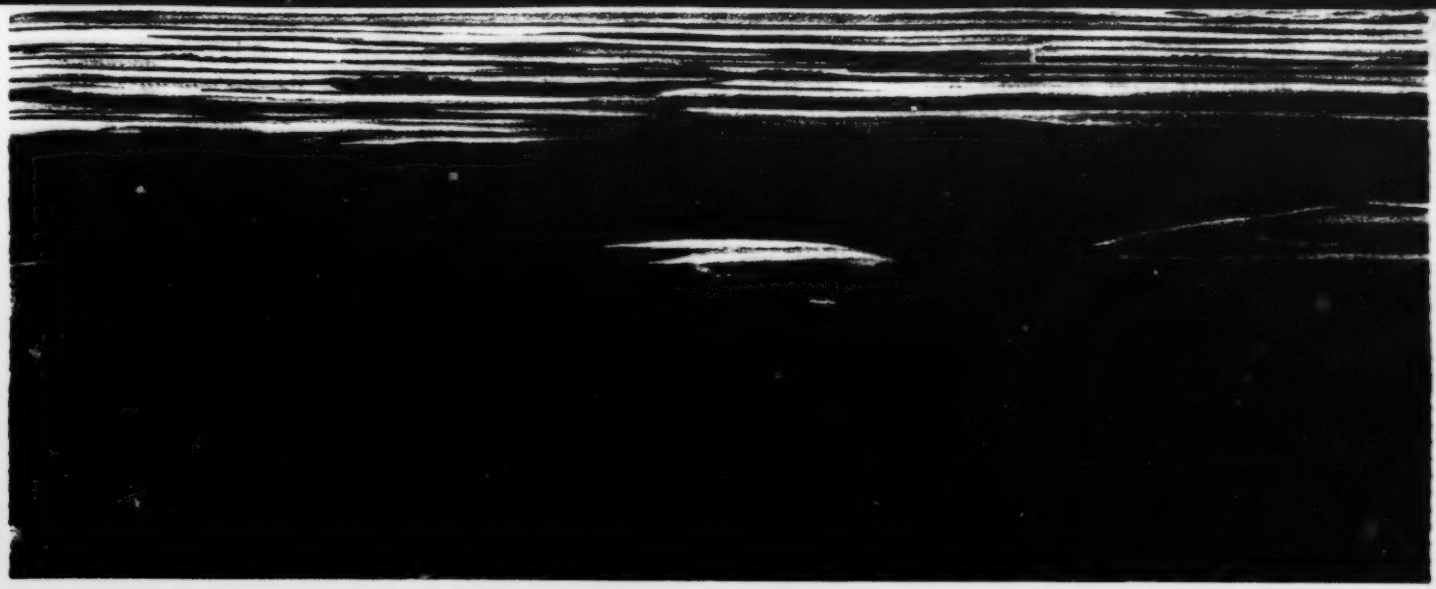


SGI President Alex Wilde talks with author Tom Peters during a break at a seminar for SGI employees and agents.

SGI'S HORIZONS

The cover of this year's annual report best depicts SGI's future: wide open and plenty of room to grow.

SGI believes that building and growing will benefit the company and the people of Saskatchewan. Through public participation, SGI will be able to expand operations outside our borders and bring the benefits home to Saskatchewan.



Saskatchewan General Insurance will be able to actively market its products across Canada. SGI will be in a position to spread its base of risk, and keep profits from new market development to build Saskatchewan.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements have been prepared by the management of the corporation in conformity with accounting principles generally accepted in Canada. The financial statements have been examined and approved by the Board of Directors. The independent auditors have performed an audit of the corporation which has enabled them to express their opinion on the financial statements of the corporation. This opinion is shown on page 19.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of the corporation. Management maintains an extensive system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis by an internal audit department.

An Audit Committee, composed of members of the Board of Directors of SGI, meets periodically with financial officers of the corporation and the external auditors. The independent auditors have free access to this Committee, without management present, to discuss the results of their audit work and their opinion on the adequacy of internal financial controls and the quality of financial reporting.

L. Jill Hilsden
Vice-President
Finance

AUDITOR'S REPORT

February 24, 1989

To the Members of the Legislative Assembly
Province of Saskatchewan:

We have examined the statement of financial position of Saskatchewan Government Insurance as at December 31, 1988 and the statements of operations and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the corporation as at December 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

Chartered Accountants
Regina, Saskatchewan

STATEMENT OF FINANCIAL POSITION

December 31	1988	1987
	(Thousands of $)	
Assets		
Cash and Investments Maturing Within One Year	$ 42,999	$ 46,514
Accounts Receivable	19,782	19,919
Deferred Policy Acquisition Costs	14,609	15,267
Deferred Charges (Note 8)	1,293	807
Long-Term Investments (Note 3)	124,087	108,714
Net Investment in Capital Lease (Note 4)	5,187	5,247
Property and Equipment (Note 5)	23,972	21,329
	$231,929	$217,797
Liabilities		
Accounts Payable and Accrued Charges	$ 9,190	$ 10,454
Premium Taxes Payable	5,097	5,447
Amounts Due to Reinsurers	4,261	6,323
Provision for Unpaid Claims	97,463	97,949
Unearned Premiums	60,543	62,051
	176,554	182,224
Capitalization		
Advances (Note 6)	57,000	57,000
Deficit	(1,625)	(21,427)
	55,375	35,573
	$231,929	$217,797

(See accompanying notes)

STATEMENT OF OPERATIONS AND DEFICIT

Year Ended December 31	1988	1987
	(Thousands of $)	
Direct Net of Ceded		
Premiums Written	$119,188	$119,311
Premiums Earned	$120,697	$120,262
Claims Incurred	69,153	66,323
Commissions	23,290	21,596
Premium Taxes	5,217	5,347
Administrative Expenses	18,814	18,500
Total Claims and Expenses	116,474	111,766
Underwriting Profit	4,223	8,496
Investment Earnings (Note 9)	15,579	15,520
Profit Before Assumed Operations	19,802	24,016
Loss From Assumed Operations (Note 10)	–	(12,493)
Net Profit for the Year	19,802	11,523
Deficit:		
Balance Beginning of Year	(21,427)	(32,950)
Balance End of Year	$ (1,625)	$ (21,427)

(See accompanying notes)

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended December 31	1988	1987
	(Thousands of $)	
Operating Activities		
Net Profit for the Year	$ 19,802	$ 11,523
Items Not Affecting Cash:		
Depreciation and Amortization	1,995	1,517
Realized Gains on Disposal of Investments and Property and Equipment	(142)	(2,125)
	21,655	10,915
(Increase) Decrease in Deferred Policy Acquisition Costs	658	(253)
(Increase) Decrease in Accounts Receivable	137	(262)
(Increase) in Deferred Charges	(486)	(749)
Increase (Decrease) in Provision for Unpaid Claims	(486)	12,621
(Decrease) in Unearned Premiums	(1,508)	(1,141)
Increase (Decrease) in Accounts Payable and Accrued Charges	(1,264)	6,434
Increase (Decrease) in Premium Taxes Payable	(350)	197
Increase (Decrease) in Amounts Due to Reinsurers	(2,062)	2,004
Cash Provided By Operating Activities	**16,294**	29,766
Investing Activities		
Long-Term Investments – Purchases	(39,328)	(65,334)
– Proceeds on Sale	24,245	48,410
Capital Lease Repayment	60	54
Property and Equipment – Purchases	(4,841)	(3,719)
– Proceeds on Disposal	55	46
Cash Used for Investing Activities	**(19,809)**	(20,543)
Increase (Decrease) in Cash and Investments Maturing Within One Year	**(3,515)**	9,223
Cash and Investments Maturing Within One Year:		
Balance Beginning of Year	46,514	37,291
Balance End of Year	**$ 42,999**	$ 46,514

(See accompanying notes)

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1988

1. Significant Accounting Policies

The corporation's accounting policies are in accordance with generally accepted accounting principles. The following are considered to be significant:

Premiums

Premiums written are taken into income over the terms of the related policies. Premiums not yet taken into income represent the portion of the policy premiums relating to the unexpired term of each policy.

Deferred Policy Acquisition Costs

Premium taxes, commissions and certain underwriting and policy issuance costs are charged to expense over the terms of the insurance policies to which such costs relate. Policy acquisition costs are deferred only to the extent that anticipated future claims and expenses net of investment earnings do not exceed unearned premiums.

Investments

Bonds, debentures and mortgages are recorded at amortized cost. Shares are recorded at cost.

Investment Earnings

Interest is recorded as income on the accrual basis. Dividends are recorded as income on the record date. Gains and losses realized on the disposal of investments are recognized in income on the date of sale.

Provision for Unpaid Claims

The provision for unpaid claims includes the estimated cost to the corporation of reported claims, an estimate based on the claims settlement experience of the corporation of the the cost of claims incurred but not reported and an estimate of adjustment expenses to be incurred on the settlement of these claims.

Capital Lease

Investment earnings related to the direct financing lease are recognized in a manner that produces a constant rate of return on the investment in the lease. The net investment in the lease is composed of net minimum lease payments less unearned finance income.

Property and Equipment

Fixed assets are recorded at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis, commencing in the year in which the assets are placed in service, over their estimated useful lives as follows:

Building	2½%
Computer Equipment under Capital Lease	20–50%
Computer and Office Equipment	20%

Foreign Currency Translation

Monetary items are adjusted to reflect the exchange rate in effect at the year-end. Share investments, revenues and expenses are translated at the exchange rate in effect at the transaction date. Unrealized gains and/or losses arising on translation are charged to operations in the current year.

Administrative and Claims Adjusting Expenses

The corporation as administrator of the Saskatchewan Auto Fund provides certain services to both the corporation and the Fund. The administrative and claims adjusting expenses relating to these services are charged to the corporation and the Fund on the basis of specific allocations.

Direct administrative expenses are charged directly to the corporation's operations.

2. Status of the Corporation

Saskatchewan Government Insurance was established as a branch of the Public Service by the Government of Saskatchewan Insurance Act, 1944, reorganized pursuant to the Saskatchewan Government Insurance Act, 1946, and continues under the provisions of the Saskatchewan Government Insurance Act, 1980.

The corporation conducts a property/casualty insurance business under the provisions of its Act and also acts as administrator of the Saskatchewan Auto Fund under the provisions of the Automobile Accident Insurance Act (Chapter A-35, Revised Statutes of Saskatchewan, 1978).

The accounts of Saskatchewan Government Insurance are consolidated in the annual financial statements of the Crown Investments Corporation of Saskatchewan, the financial holding company of the Province of Saskatchewan.

3. Long-Term Investments

The components of the corporation's long-term investments are as follows:

(Thousands of $)

	1988		1987	
	Book Value	Market Value	Book Value	Market Value
Bonds and Debentures	$ 97,163	$ 96,654	$ 81,946	$ 81,356
Mortgages	5,216	5,208	5,633	5,651
Shares and Convertible Bonds	21,708	22,014	21,135	20,501
Total Long-Term Investments	$124,087	$123,876	$108,714	$107,508

4. Net Investment in Capital Lease

The corporation, as lessor, has a 37 percent interest in a lease agreement with a Government department for a term of thirty years (twenty-two years remaining) on property in Prince Albert, Saskatchewan. The lease transferred substantially all of the benefits and risks incident with the ownership of the property to the lessee.

The corporation's net investment in capital lease includes the following:

	(Thousands of $)	
	1988	1987
Total Minimum Lease Payments Receivable ($583,000 per year)	$12,977	$13,560
Unearned Income	(7,790)	(8,313)
Net Investment in Capital Lease	$ 5,187	$ 5,247

5. Property and Equipment

The components of the corporation's investment in property and equipment, as well as the related accumulated depreciation, are as follows:

	(Thousands of $)			
	1988			1987
	Cost	Accum. Depr.	Net Book Value	Net Book Value
Land and Improvements	$ 912	$ –	$ 912	$ 912
Building	18,887	4,431	14,456	14,929
Computer Equipment under Capital Lease	7,193	917	6,276	3,050
Computer and Office Equipment	5,997	3,669	2,328	2,438
Total	$32,989	$ 9,017	$23,972	$21,329

Title to computer equipment under capital lease transfers after two years. Full account payment is made on normal thirty day payment terms.

6. Advances

Advances from the Crown Investments Corporation of Saskatchewan (CIC) are non-interest bearing and repayment is at the discretion of CIC.

7. Ceded Reinsurance

The corporation underwrites and reinsures contracts of insurance which, in the main, limit the liability of the corporation to a maximum amount on any one loss of $250,000 (1987 – $250,000) for dwelling and farm property, $1,000,000 (1987 – $1,000,000) for commercial property and $750,000 (1987 – $1,000,000) for auto and liability coverage. This reinsurance does not, however, relieve the corporation of its primary obligation to its policyholders.

At year-end, the provision for unpaid reported claims and adjustment expenses reflects recoveries from reinsurers of $6,664,000 (1987 – $8,296,000). In 1988, ceded reinsurance premiums earned were $13,845,000 (1987 – $18,098,000); commission recoveries earned were $2,545,000 (1987 – $4,216,000); and claims incurred were $4,746,000 (1987 – $916,000).

At year-end, the corporation held letters of credit outstanding of $1,500,000 (1987 – $2,482,000) and deposits of $161,000 (1987 – $203,000) relating to reinsurance arrangements with unlicensed reinsurers.

8. Superannuation Plans

The corporation has a defined benefit retirement plan covering its employees. The plan applies only to those employees hired before January 1, 1980, who elected to remain in the plan. Current service costs of this plan are charged to earnings on the basis of actuarial valuations, the most recent valuation being as of December 31, 1987.

Based on the December 31, 1987 actuarial valuation and a projection to December 31, 1988, the present value of accrued pension benefits attributed to services rendered and the projected value of pension fund assets is $22,075,000 (1987 – $35,842,000) and $31,914,000 (1987 – $42,709,000) respectively. The deferred charge for pension costs at year-end is $1,293,000 (1987 – $807,000).

The corporation also has employees who are members of the Crown Investments Corporation of Saskatchewan (CIC) Pension Plan. The corporation matches employee contributions to this defined contribution pension plan.

In January, 1988, 336 of the 507 active members in the defined benefit plan exercised an option to transfer their membership to the CIC defined contribution plan. On February 1, 1988, $14,258,000, comprised of the employees' and employer's contributions and interest, was transferred to the CIC defined contribution plan.

The 1988 pension expense for the two pension plans is $1,577,000 (1987 – $1,290,000), including the amortization of the defined benefit plan past service surplus and plan amendments.

9. Investment Earnings

The components of investment earnings are as follows:

	(Thousands of $)	
	1988	1987
Interest and Dividends	$14,915	$12,897
Realized Gains on Sale of Investments	141	2,094
Income from Capital Lease	523	529
Total Investment Earnings	$15,579	$15,520

10. Assumed Reinsurance

The corporation discontinued its practice of underwriting assumed reinsurance business as of December 31, 1985. All assumed reinsurance contracts were cancelled as of December 31, 1985. Although no new contracts have been written, the corporation remains financially responsible for claims run-off on assumed contracts entered into prior to December 31, 1985.

In 1988, assumed reinsurance premiums earned were $146,000 (1987 – $873,000) and claims incurred were $115,000 (1987 – $13,181,000).

An independent actuarial valuation of the corporation's December 31, 1988 assumed reinsurance unpaid claims reserves has been completed. The corporation has recorded a total reserve for unpaid claims of $29,017,000 as at December 31, 1988 (1987 – $33,746,000). This reserve, which is intended to provide for all future claims liabilities arising from assumed reinsurance contracts, while believed to be adequate, is necessarily based on estimates.

11. Related Party Transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown-controlled departments, agencies and corporations with which the corporation is related.

Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms. Other amounts due to (from) related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

12. Comparative Financial Information

For comparative purposes, certain 1987 balances have been reclassified to conform with the 1988 financial statement presentation.